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Message Text

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ACTION NEA-10

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S E C R E T CAIRO 0685

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EAID, EGY, USEGJC
SUBJECT: INTERNATIONAL AID TO EGYPT: 1976

REF: STATE 11911

1. I TOLD FAHMY TODAY THAT WE HAVE CAREFULLY CONSIDERED HIS REQUEST FOR HELP IN EGYPT'S 1976 INTERNATIONAL FUND RAISING CAMPAIGN. IN OUR VIEW, BASED ON LAST YEAR'S EXPERIENCE, WE BELIEVE THAT CAMPAIGN WOULD BE MORE EFFECTIVE IF GOE TOOK THE INITIATIVE TO INVITE INTERESTED FOREIGN GOVERNMENTS AND INTERNATIONAL AGENCIES TO AN EARLY MEETING IN EGYPT TO CONSIDER EGYPT'S ECONOMIC DEVELOPMENT AND MAINTENANCE PLANS, CURRENT COMMITMENTS OF FOREIGN FINANCING, AND RESIDUAL REQUIREMENTS FOR AID IN 1976. MEETING WOULD BE AIMED AT CREATING INFORMAL CONSULTATIVE GROUP. I THEN WENT THROUGH THE SEVERAL ADDITIONAL POINTS MADE IN REFTEL (PARAS 2 (B)-(F), STRESSING OUR WILLINGNESS PARTICIPATE IN SUCH EGYPTIAN-COVENED MEETING AND TO TAKE POSITIVE, SUPPORTIVE POSITIONS. I ALSO STRESSED OUR WILLINGNESS ENCOURAGE IBRD TO PARTICIPATE IN POSITIVE MANNER AND TO MAKE FOLLOW UP APPROACHES ON CASE BY CASE TO SUCH EGYPTIAN BILATERAL AID REQUESTS AS MIGHT BE MADE AFTER SUCH A MEETING.
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2. ALTHOUGH I SOUGHT PUT MOST CONSTRUCTIVE AND POSITIVE CAST ON PRESENTATION, FAHMY WAS DISAPPOINTED. HE TOOK NOTES ON ABOVE, STATING VERY FREQUENTLY THAT HE DID NOT LIKE THE IDEA. FIRST, IT WOULD SUGGEST THAT EGYPT IS BANKRUPT AND MUST THEREFORE CONVENE SUCH MEETING. SECOND, HE DOUBTED THAT SOME ARAB DONORS, SAUDI ARABIA FOR EXAMPLE, WOULD WANT TO PARTICIPATE. THIRD, HE WAS SURE PRESIDENT SADAT WOULD VIEW OUR SUGGESTION AS RENEGING ON OUR PART. PRESIDENT FORD AND THE SECRETARY HAD, AT SALZBURG, COMMITTED THE USG ACTIVELY TO ASSIST IN ENCOURAGING WESTERN, JAPANESE, AND IRANIAN DONATIONS TO EGYPT. YOU HAD ALSO DONE SO AND HAD NOTED THAT CY 76 REQUIRE MENTS WOULD ALSO HAVE TO BE TAKEN INTO ACCOUNT. OUR SUGGESTION WOULD COME AS A BLOW, AND HE WAS CERTAIN THAT IT WOULD BE BADLY RECEIVED.

3. I POINTED OUT THAT OUR ENTIRE PURPOSE WAS NOT TO RENEGE, BUT TO FIND A MORE EFFECTIVE WAY OF ASSISTING EGYPT THAN HAD PROVEN POSSIBLE LAST YEAR. I HAD TO TEL HIM IN ALL CANDOR AGAIN THAT MANY OF THE DONORS THAT WE HAD APPROACHED HAD SIMPLY DISBLIEVED OUR PRESENTATION OF EGYPT'S NEEDS. THEY HAD ALSO BEEN SKEPTICAL THAT EGYPT IS TAKING NEEDED VIGOROUS STEPS TO CORRECT THE SITUATION. AS HE WOULD RECALL, WE HAD SUGGESTED THAT GOE APPROACH IBRD TO ORGANIZE AN INFORMAL CONSORTIUM OF POSIBLE DONOR STATES, BUT GOE HAD NOT BEEN INTERESTED. CLEARLY, AN IBRD-LED GROUP WOULD STILL BE THE BEST WAY TO PROCEED, BUT OUR SUGGESTION IS IN OR BEST JUDGEMENT THE NEXT BEST THING. FAHMY CLAIMED HE HAD SPOKEN TO THE CABINET ABOUT OUR SUGGESTION OF AN IBRD-LED GROUP AND PROBLEMS WE ENCOUNTERED IN OUR EFFORTS TO SOLICIT FUNDS. HE THOUGHT THE IBRD LED GROUP IS NOT ENTIRELY OUT, BUT NOTED ALL EGYPTIAN ECONOMIC MINISTERS INSISTED THAT USG HAS ALL THE DATA IT NEEDS TO PRESENT EGYPT'S CASE.

4. FAHMY URGED THAT UNDER SECRETARY ROBINSON VISIT EGYPT SOON, AND PREFERABLY BEFORE SECRETARY SIMON,
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TO EXPLAIN THE SITUATION TO PRESIDENT SADAT AND TO DISCUSS OUR SUGGESTION. THIS WOULD AT LEAST SHOW THAT USG SUGGESTION IS NOT INTENDED TO BACK OUT OF WHAT FAHMY TERMED A USG PRESIDENTIAL COMMITMENT.

5. COMMENT: AS I CAUTIONED WOULD BE THE CASE, FAHMY DISLIKED OUR IDEA. I SENSED THAT HE PERSONALLY WILL BE RELUCTANT TO MENTION IT TO SADAT, SINCE HE FEARS THE

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LATTER WILL REGARD IT AS RENEGING ON OUR PART.
THIS IS WHY HE WANTS UNDER SECRETARY ROBINSON TO DO
THE PRESENTATION. IN VIEW STRICTURE CONTAINED
PARA 3 REFTEL, I DID NOT MENTION POSSIBLE VISIT OF
UNDER SECRETARY AT END OF FEBRUARY, BUT IN ANY CASE
PURPOSE OF SUCH VISIT AS ENVISAGED BY FAHMY GOES A
BIT BEYOND IDEA SET FORTH PARA 3(A).

6. I THINK IT WOULD BE HIGHLY DESIRABLE IF UNDER
SECRETARY ROBINSON COULD VISIT EGYPT IN JAN OR FEB
TO DISCUSS THIS WHOLE PROBLEM AND TO LAY OUT THE
PROBLEM IN DETAIL TO THE PRESIDENT AND HIS ADVISERS.
DESPITE OUR EFFORTS, WE HAVE TAKEN A FAIR AMOUNT
OF FLACK FROM EGYPTIAN FRIENDS FOR OUR INABILITY TO
PRODUCE WHAT WE PROMISED LAST YEAR. IT IS IMPORTANT
THAT THEY KNOW DIRECTLY FROM THE UNDER SECRETARY, WHO
DID SUCH A YEOMAN JOB IN TRYING SOLICIT FUNDS, THE
VERY REAL PROBLEMS HE ENCOUNTERED IN THE PROCESS.
WE SHOULD PULL NO PUNCHES ON THIS ONE AND STRESS,
AS I WILL CONTINUE TO DO THAT OUR SOLE PURPOSE IS TO
FIND A MORE EFFECTIVE WAY FOR EGYPT TO MEET ITS
FINANCIAL SHORTFALL, BUT THAT GOE, TOO, MUST TAKE
POSITIVE STEPS TO PUT ITS ECONOMIC HOUSE IN ORDER.
EILTS

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O, MR. HOGANSON.

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